FIRST-CLASS MAIL PRESORT LETTERS AND CARDS AND STANDARD MAIL PRESORT LETTERS COST MODELS

I. PREFACE

A. Purpose and Content

USPS-FY13-10 documents the First-Class Mail presort letters and cards mail processing unit cost estimates and worksharing-related savings estimates, and the Standard Mail presort letters mail processing unit cost estimates.

B. Predecessor Documents

Docket No. R2006-1, PRC-LR-12 (First-Class Mail) and PRC-LR-15 (Standard Mail)
ACR2007, USPS-FY07-10
ACR2008, USPS-FY08-10
ACR2009, USPS-FY09-10
ACR2010, USPS-FY10-10
ACR2011, USPS-FY11-10
ACR2012, USPS-FY12-10
Docket No. RM2010-13, Order No. 1320
Docket No. RM2011-5, Order No. 741
Docket No. RM2011-12, Order No. 920
Docket No. RM2012-1, Proposal Twelve, Order No. 1153
Docket No. RM2012-2, Proposals Seventeen and Nineteen, Order No. 1383
Docket No. RM2014-1, Proposal Eight

C. Corresponding Non-Public or Public Document

There are no corresponding non-public documents.

D. Methodology And Changes

The First-Class Mail presort letters and cards and Standard Mail presort letters cost models rely on the Docket No. R2006-1 Postal Regulatory Commission (PRC) methodology and also incorporate the modifications described in Docket No. RM2011-5, Proposal Nine. The Proposal Nine modifications include updates to several cost model inputs and a revised bundle sorting cost methodology that was approved by the Commission in Order No. 741.

The Postal Service proposed the addition of new mail processing cost pools in Docket No. RM2011-12, Proposal Five and Proposal Six. The Commission subsequently approved those proposals in Order No. 920. The USPS-FY11-26 cost by shape estimates therefore contain seven additional cost pools that need to be distributed using the Commission's cost pool classification methodology.

Docket No. RM2012-1; Proposal Twelve, Order No. 1153 modifies the mail processing cost model applicable to the Standard mail presort letters to disaggregate the mail processing costs of Standard nonautomation machinable MAADC and AADC presort letters.

Docket No. RM2012-2, Proposal Seventeen, Order No. 1383 consolidates MODS operation groups associated with the productivity calculations for the DBCS/DIOSS automated letter image reading and sorting operations. This change responds to changes in the definition of certain MODS operations.

Docket No. RM2012-2, Proposal Nineteen, Order No. 1383 modifies the mail processing cost model applicable to the First-Class mail presort letters to develop separate cost estimates for the nonautomation machinable MAADC and the AADC categories.

Docket No. RM 2014-1, Proposal Eight (Petition filed November 8, 2013) proposes to consolidate MODS operation groups associated with productivity calculations into Manual Incoming and Outgoing groups. PRC issued a notice in Order No. 1877 (November 14, 2013) on proposed rulemaking. The proposal is pending approval. For this reason, an alternate set of First-Class and Standard letter models have been filed in USPS-FY13-10 with the proposed methodology.

E. Inputs/Outputs

Input Source	Input Description
USPS-FY13-7	Volume variability factors Premium pay factors Wage rates
USPS-FY13-14	Mail Characteristics Data
USPS-FY13-19	Delivery costs by shape, Collection costs
USPS-FY13-23	MODS productivity data
USPS-FY13-24	Piggyback factors
USPS-FY13-25	Operation-specific piggyback factors RCR cost data
USPS-FY13-26	Mail processing unit cost by shape estimates
Docket No. RM2011-5, Order No. 741	Automation density tables Manual density tables

Plant carrier route finalization percentage
Bundle sorting methodology
Leakage Rate

2013 Carrier Piece Count (CPC) Data	Post office box destination percentage
2013 FAST Data	Incoming secondary percentages
2013 RBCS Data	RCR finalization rate
2013 WebEOR Data	Operation acceptance and reject rates
USPS-FY08-10	OSS Reject Rates
2008 Field Study	Bundle sorting productivity

Output Document	**Output Description**
USPS-FY13-3	Discounts and pass-through values
USPS-FY13-19	Delivery Costs by Shape (DPS percentages)
USPS-FY13-21	QBRM and BRM Costs
USPS-FY13-30	Market Dominant NSA Materials

II. ORGANIZATION

USPS-FY13-10 contains two sets of MS Excel workbooks. First set contains First-Class and Standard letter cost models for the Annual Compliance Report based on latest PRC methodology. Second set contains First-Class and Standard letter cost models with the Proposal Eight (Docket No. RM2014-1) methodology necessary to show FY 13 cost data calculations with the proposed methodology.

The workbook USPS-FY13-10.FCM.LTRS.ACR.xls contains the First-Class Mail presort letters and cards mail processing unit cost estimates and the First-Class Mail Presort letters and cards worksharing-related savings estimates by price category. These estimates are developed using ACR2012 methodology with enhancements approved in Orders listed in section I.B above.

The workbook USPS-FY13-10.FCM.LTRS.Prop8.xls uses the methodology proposed in Proposal Eight (Docket No. RM2014-1) for calculation of First-Class Mail presort letters and cards mail processing unit cost estimates.

The workbook USPS-FY13-10.STD.LTRS.ACR.xls contains the Standard Mail presort letters mail processing unit cost estimates by price category. These estimates are developed using the ACR2012 methodology.

The workbook USPS-FY13-10.STD.LTRS.Prop8.xls uses the methodology proposed Proposal Eight (Docket No. RM2014-1) for calculation of Standard Mail presort letters mail processing unit cost estimates by price category.

III. Letters and Cards Results

FIRST CLASS MAIL RATE CATEGORY	Mail Processing Total Unit Cost (CENTS)	Total Mail Processing and Delivery Worksharing Related Unit Cost Savings (CENTS)
Letters		
Nonautomation Presort Letters	7.772	6.466
Automation Mixed AADC Letters	8.639	5.303
Automation AADC Letters	6.867	7.315
Automation 3-Digit Presort Letters	6.419	7.741
Automation 5-Digit Presort Letters	4.097	10.373
Cards:		
Nonautomation Presort Cards	6.002	-
Automation MAADC Presort Cards	4.593	1.313
Automation AADC Presort Cards	3.685	2.410
Automation 3-Digit Presort Cards	3.456	2.623
Automation 5-Digit Presort Cards	2.266	4.057

STANDARD MAIL LETTERS RATE CATEGORY	TOTAL MAIL PROCESSING UNIT COST (CENTS)
Nonautomation Nonmachinable MADC Presort Letters	25.453
Nonautomation Nonmachinable ADC Presort Letters	18.412
Nonautomation Nonmachinable 3-Digit Presort Letters	16.274
Nonautomation Nonmachinable 5-Digit Presort Letters	9.413
Nonautomation Machinable MAADC Presort Letters	7.702
Nonautomation Machinable AADC Presort Letters	6.127
Automation MAADC Presort Letters	7.453
Automation AADC Presort Letters	6.083
Automation 3.Digit Presort Letters	5.720
Automation 5 Digit Presort Letters	3.900